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INFORMATION REPORT

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SUPPLEMENT TO
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Long-term contracts

1. USIA has stopped accepting long-term contracts for products from USIA-controlled firms, and for the past three weeks has been transferring contracts of this type to the Soviet Trade Delegation, which allegedly will replace USIA within the next six months. Although USIA has handled preliminary negotiations with prospective customers, all long-term contracts are now concluded directly between the Soviet Trade Delegation and the purchaser.

Electrical Industry

2. All firms administered by USIA's Electrical Administration have been directed to turn over their entire operating capital and payments received from various USIA firms to the Soviet Military Bank. At the same time, USIA has refused to permit these firms to make even minimal investments, and recently the Soviet director of Siemens-Schuckert, Engerthstrasse plant, refused to authorize the purchase of three paint spray guns. Meanwhile USIA has curtailed the "Chemie" and "Fischerel" priority projects for the manufacture of direct and alternating current motors for shipment to the USSR, and the Engerthstrasse plant has been directed to complete its present order by the end of 1949.*

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3. [redacted] the non-USIA Siemens-Schuckert Nibelungen-gasse plant, USIA has forced Austrian directors of the USIA-controlled Engerthstrasse plant to sign notes totalling about 10,000,000 schillings, a sum which allegedly equals the total investment made by the Soviets in this plant during the past four years. Unless these notes are redeemed by the Austrian Government in cash payments, the Soviets may remove capital goods from the Engerthstrasse plant equal to the value of these notes.**

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NO CHANGE in Class.

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Class. CHANGED TO: T S C

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USIA Dismantling Operations

4. Recently, the Soviets started to remove precision tools, spare parts, light machinery and some electrical fixtures from Schwechat Flugmotorenwerke and Ostmark-Werke G.m.b.H. in Vienna X, two firms which manufactured aircraft motors and parts during the war. During 1945-1946, the Soviets shipped a considerable amount of machinery from these plants to the Soviet Union, leaving only that equipment needed by USIA for the manufacture of agricultural machinery, pails and wheelbarrows. So far, recent dismantling operations have been on a limited scale, and plant employees who are members of Socialist trade unions believe the Soviets will postpone complete dismantling until after the Austrian parliamentary elections in the fall in order to avoid public criticism detrimental to Austrian Communist Party candidates. According to Socialist trade union officials, the Soviets will do most of the dismantling work at night, employ Communist laborers or Soviet troops, and use Soviet military vehicles to remove machinery from these plants. These same officials allegedly have stated their intention to form special factory guard units to scrutinize Soviet dismantling operations and to enlist the aid of local police and fire departments in raising a protest.

Other USIA developments

5. Another indication of Soviet preparations to release some USIA property is found in recent developments at the Esterhazy estates near Marz, Burgenland. This season's crops at these estates are not being harvested and the Soviets seem to have abandoned all agricultural machinery held at these estates. Meanwhile, USIA is reported to have leased a large section of the Esterhazy estates to small landowners for advance cash payments. "Teerag" A.G., Vienna III, Marxergasse 25, USIA-controlled construction firm, has suddenly cancelled all projects for the construction of roads and unloading ramps at various USIA installations.

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